

Choice Plan investment options available in May 2001

By now, all active PERSI members should have received the new PERSI video backpack. We strongly urge you and your employees to take 15 minutes to play the tape to learn more about retirement. It's not just for people nearing retirement. In fact, the younger members are, the more valuable the information.

Recently, the Retirement Board selected the investment options that will be available in the Choice Plan. Members who received gain sharing in February will be able to redirect their investment in May.

The funds were recommended by an international investment consulting firm that was selected to recommend the asset classes and to perform the search for investment managers. The selected funds offer a variety of different investment types including large, mid and small capitalization U.S. equity, international equity, index funds and stable value.

Based on the independent research, we feel these funds are currently some of the best investment managers available. We also feel that most members of the Choice Plan should be able to meet their investment objectives with these funds.

Beginning in May 2001, members will be able, if they wish, to transfer all or a portion of their Choice Plan funds from the default PERSI Total Return Fund among these other funds.

Members may be in as many of the different funds as they wish, and they may transfer among the funds as often as they want to.

They may change funds or obtain more information on the various funds beginning in May by calling toll free 1-866-ID-PERSI (1-866-437-3774) or visiting the Choice Plan website at www.persi.state.id.us/choice.htm.

They must have their Social Security and PIN numbers to change funds.

A proposed law making its way through the legislature (HB38), may allow every active PERSI member (whether or not they received Gain Sharing) to make voluntary pre-tax contributions to the Choice Plan.

Voluntary contributions to the Choice Plan will begin in July 2001 (depending on an employer's ability to handle such contributions). More information on this will be provided later.

PERSI Total Return Fund is Choice Plan default option

The default investment option for the new Choice Plan is the PERSI Total Return Fund (TRF).

TRF is extremely diversified

The TRF, with some \$7 billion in assets, is extremely diversified among US and international stocks, large to small cap funds and more for a competitive return at a lower risk.

PERSI is "Stable Value"

The Choice Plan is just one piece of a member's retirement savings. The PERSI Base Plan and Social Security can be considered as a member's "Stable Value" Funds. If the Base Plan and Social Security provide a retiree with 70 - 80% of what is needed in retirement, other investments provide about 20 - 30% of retirement savings. Members may choose to be more aggressive with these funds due to the stability of the rest.

PERSI does not time the markets

PERSI does NOT try to time the market. We are in this for the long haul. Of course there will be market fluctuations, but historically the stock market has averaged about 10%. The double-digit returns of the past decade have been phenomenal, but they may not have continued forever. We might be returning to a period of more average returns.

PERSI Choice Plan Investment Options

PERSI Total Return Fund

www.persi.state.id.us/choice.htm

Toll free 1-866-ID-PERSI

Invests the assets of the Base Plan. It is a diversified fund that generally invests 45-55% in US equities, 15-25% in international equities, and some 30% in fixed income. Includes primarily publicly traded stocks and bonds, with some private holdings in real estate, private equity and commercial mortgages.

Large Capitalization Core Equity

Vanguard Growth & Income (VQNPX)

www.vanguard.com

Seeks stocks that appear to be undervalued by the market and that, as a group, appear likely to provide higher returns than the unmanaged S&P 500 index, a widely recognized benchmark of U.S. stock market performance, while having similar risk characteristics.

Mid Capitalization Core Equity

Dreyfus Premier Mid Cap Stock R (DDMRX)

www.dreyfus.com

Seeks investment returns (consisting of capital appreciation and income) that are consistently superior to the S&P 400 Midcap Index. The fund invests 65%+ of assets in a blended portfolio of growth and value stocks of medium-size companies (market values range between \$200 million and \$10 billion).

Small Capitalization Core Equity

Aetna Small Company I (AESGX)

www.aetnafinancial.com

Seeks growth of capital primarily through investment in a diversified portfolio of common stocks and securities convertible into common stocks of companies with smaller market capitalizations.

International Equity Core

Brandes Intl. Institutional Equity (BIIEEX)

www.brandes.com

Seeks long-term capital appreciation. Invests 65%+ of assets in equities of issuers located in no less than three foreign countries. Typically invests in large-cap companies.

Core Plus Fixed Income

Dodge and Cox Income (DODIX)

www.dodgeandcox.com

Seeks a high and stable rate of current income, consistent with long-term preservation of capital. A secondary objective is to take advantage of opportunities to realize capital appreciation.

Stable Value Fixed Income

SEI Stable Asset Fund

www2.seic.com

Seeks to provide high fixed-income returns, similar to intermediate-term bonds of comparable quality, while preserving principal and reducing risk.

S&P 500 Index

Mellon EB Daily Liquidity Stock Index

Toll free 1-866-ID-PERSI

Seeks to match the performance of the Standard & Poor's 500 Index. The Fund employs full replication, holding each company in proportion to its market capitalization weight in the Index.

Wilshire 5000 Index

State Street Global Advisors Wilshire 5000 Index

Toll free 1-866-ID-PERSI

Seeks to replicate the returns and characteristics of the Wilshire 5000 Index, combined with the foreign securities contained in the S&P 500 Index.

Lehman Brothers Aggregate Index

Mellon EB LB Aggregate Index Fund

Toll free 1-866-ID-PERSI

Investment Grade U.S. Bond Index Fund. Seeks to replicate the performance of the Lehman Brothers Aggregate Index with securities from each industry, quality, and duration sector of the Index.

EAFE Index

State Street Global Advisors EAFE Index

Toll free 1-866-ID-PERSI

International Equity Index Fund. EAFE is an acronym for the *Europe and Australasia, Far East* equity index. Seeks to match the performance of the MSCI EAFE Index while providing low-cost, broadly diversified, non-U.S. exposure.